

file

Preliminary Prospectus dated April 5, 1973

No

498

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale.

NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

New Issue

\$

Consolidated Pipe Lines Company

(A company incorporated by Special Act of the Parliament of Canada)

\$6,500,000 ● % Sinking Fund Debentures

To be dated June 1, 1973

To mature June 1, 1992

and

● shares of the par value of \$1 each

**Offered in Units each consisting of a \$1,000 ● % Sinking Fund Debenture
and ● shares of the par value of \$1 each**

The Debentures will be direct obligations of the Company but will not be secured by any mortgage, pledge or other charge. The Debentures will not be redeemable prior to June 1, 1983, for other than sinking fund purposes, from the proceeds of funds borrowed at a lower interest cost. Further particulars as to redemption, sinking fund and certain covenants of the Company are set forth under the heading "Description of Debentures" on page 6.

There is at present no market for the Common Shares of the Company. The price for the securities offered by this prospectus was determined by negotiations between the Company and the Underwriter.

Application will be made to list the Common Shares of the Company on The Toronto Stock Exchange. Acceptance of such listing application is subject to the filing of the required documents and evidence of satisfactory distribution, both within a period of 90 days.

Price: \$● per Unit

(plus accrued interest, if any, on the Debentures)

We, as principals, conditionally offer these securities, subject to prior sale, if, as and when issued by the Company and accepted by us in accordance with the conditions contained in the underwriting agreement referred to under "Plan of Distribution" on page 5.

	Price to Public (1)	Underwriting Discount	Proceeds to Company (1) (2)
Per Unit.....	\$●	\$●	\$●
Total.....	\$●	\$●	\$●

(1) Plus accrued interest, if any, on the Debentures to date of delivery.

(2) Before deducting expenses of issue estimated at \$40,000.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that fully registered Debentures and Common Share certificates in definitive form will be available for delivery on or about June 1, 1973.

A. E. Ames & Co.
Limited

Business Established 1889

TORONTO MONTREAL LONDON, ENG. PARIS LAUSANNE VANCOUVER VICTORIA WINNIPEG CALGARY EDMONTON
SASKATOON QUEBEC HALIFAX LONDON HAMILTON OTTAWA KITCHENER ST. CATHARINES OWEN SOUND PETERBOROUGH
SUBSIDIARY COMPANY: A. E. AMES & CO., INCORPORATED—NEW YORK

TABLE OF CONTENTS

	Page
The Company.....	3
Northern Natural Gas Company.....	3
Use of Proceeds.....	3
Capitalization.....	3
Business of the Company.....	4
Pipe Line.....	4
Transportation Contract.....	4
Deficiency Agreement.....	4
Gas Supply.....	5
Regulation.....	5
Plan of Distribution.....	5
Description of Debentures.....	6
General.....	6
Sinking Fund.....	6
Redemption.....	6
Covenants.....	7
Definitions.....	8
Modification.....	8
Net Tangible Asset Coverage.....	8
Interest Coverage.....	9
Description of Common Shares.....	9
Dividend Policy.....	9
Prior Sales.....	9
Shareholders and Management.....	9
Principal Shareholders.....	9
Promoter.....	10
Directors and Officers.....	10
Remuneration.....	11
Interest of Management and Others in Material Transactions.....	11
Material Contracts.....	11
Legal Matters.....	12
Auditors, Transfer Agent and Registrar.....	12
Auditors' Report.....	12
Financial Statements.....	13
Purchasers' Statutory Rights of Withdrawal and Rescission.....	15
Certificates.....	16

THE COMPANY

Consolidated Pipe Lines Company (the "Company") was incorporated on June 28, 1955 by Special Act of the Parliament of Canada. The Company's head and principal office is located at 1300 Elveden House, 717-7th Avenue S.W., Calgary, Alberta.

The Company's principal business is the ownership and operation of the Pipe Line described under the heading "Pipe Line" on page 4. In 1969 Northern Natural Gas Company ("Northern") of Omaha, Nebraska acquired 86% of the outstanding Common Shares of the Company, which until that time had been inactive. After obtaining the necessary regulatory approvals, the Pipe Line was constructed during 1972.

NORTHERN NATURAL GAS COMPANY

Northern was incorporated under the laws of the state of Delaware in 1930 and its principal executive and operating offices are located at 2223 Dodge Street, Omaha, Nebraska.

Northern is primarily engaged in the acquisition, transmission, distribution and sale of natural gas in the south-western and mid-western states of the United States. Northern and its subsidiaries also are engaged in the extraction, transportation and sale of liquefied petroleum gas, natural gasoline and helium and in the production and sale of petrochemicals and related products. As of December 31, 1972, Northern and its subsidiaries had total assets of \$1,569,000,000 and common shareholders' equity of \$447,000,000. Operating revenues for the twelve months ended December 31, 1972 were \$637,000,000 and income from operations was \$46,000,000.

After the completion of the offering contemplated by this prospectus, Northern will own approximately 45% of the outstanding Common Shares of the Company.

USE OF PROCEEDS

The estimated net proceeds to be derived by the Company from the sale of the securities offered by this prospectus, amounting to \$ • • • • • after deducting expenses of issue estimated at \$40,000, together with the proceeds amounting to \$ • • • • • from the sale of Common Shares to be sold to Northern as described under the heading "Prior Sales" on page 9, will be used by the Company to retire \$750,000 of advances from Northern and approximately \$ • • • • • of outstanding bank indebtedness, both of which were incurred to pay for the Pipe Line.

CAPITALIZATION

	Authorized or to be Authorized	Outstanding at December 31, 1972	Outstanding at March 31, 1973	Outstanding at March 31, 1973 after giving effect to this Financing and the sale of Common Shares to Northern
Debt				
Demand Notes(1).....	\$10,000,000	\$7,500,000	\$8,000,000	\$ •
Advances from Northern(2)...	—	900,000	750,000	nil
•% Sinking Fund Debentures due June 1, 1992	6,500,000	—	—	6,500,000
(this issue).....				
Share Capital(3)				
Shares of the par value of				
\$1 each.....	3,000,000 shs. (\$3,000,000)	100 shs. (\$100)	100 shs. (\$100)	• shs. (\$ •)

(1) The Company has a revolving line of credit with a Canadian chartered bank. Borrowings under this line of credit are evidenced by demand notes and bear interest at a rate $\frac{1}{8}\%$ above the bank's prevailing prime commercial lending rate. Northern has provided the bank with an undertaking to arrange long-term financing by December 31, 1973 from which substantially all of these borrowings will be retired.

(2) Interest free unsecured advances from Northern.

(3) In addition to the paid-up capital shown, as at March 31, 1973, the Company had retained earnings of \$ • employed in its business.

BUSINESS OF THE COMPANY

In recent years the discovery and development of new natural gas reserves in the United States have not kept pace with the growing demand for natural gas in the United States. For this reason, Northern became engaged in a program to secure additional gas reserves in several areas, including Montana.

The Company's Pipe Line forms an integral part of the gas transportation system whereby natural gas under contract to Northern in the Tiger Ridge area of Montana is transported north to the Saskatchewan border, sold to Consolidated Natural Gas Limited ("Consolidated Natural"), a wholly-owned subsidiary of Northern, and transported for Consolidated Natural by the Company pursuant to the Transportation Contract north to a point of interconnection with the pipeline of TransCanada PipeLines Limited ("TransCanada"). TransCanada, in turn, transports this gas for Consolidated Natural to a point on the Manitoba-Minnesota border where this gas is resold to Northern and transported for Northern by Great Lakes Gas Transmission Company to a point of interconnection with Northern's system in northern Minnesota. Consolidated Natural's present arrangements with TransCanada limit the volumes passing through the latter's system to a maximum of 200 MMcf ("million cubic feet") per day.

Pipe Line

The Company's principal business is the ownership and operation of a 16-inch diameter pipeline and related compressor station and metering facilities (the "Pipe Line") for the transportation of natural gas from a point at the International Boundary between Montana and Saskatchewan near Loomis, Saskatchewan for a distance of approximately 131 miles to a point of interconnection with TransCanada's existing pipeline system at Compressor Station No. 9 near Herbert, Saskatchewan. The Pipe Line was constructed during 1972 at a total cost of approximately \$9,000,000 and operations commenced in December, 1972. The Pipe Line has the capacity to transport the amounts of gas which Consolidated Natural is authorized to import as described under the heading "Regulation" on page 5. The Pipe Line is currently transporting approximately 90-100 MMcf per day.

Transportation Contract

By an agreement dated April 17, 1971 (the "Transportation Contract"), the Company will transport through the Pipe Line for the account of Consolidated Natural all gas delivered to Consolidated Natural by Northern at the Saskatchewan-Montana border. The Transportation Contract is effective for so long as all the requisite authorizations exist sufficient to permit the import, export and transportation of gas thereunder.

The Transportation Contract provides for the payment each month by Consolidated Natural to the Company of the Company's total cost of service which substantially comprises the sum of the following:

1. reasonable and necessary operating expenses;
2. one-twelfth of the annual depreciation expense computed by the application of annual depreciation rates specified in the Transportation Contract to the actual original investment in depreciable gas plant at the first day of the billing month;
3. accruals recorded with respect to items being amortized;
4. accruals recorded with respect to income and other taxes associated with natural gas operations including adjustments for prior tax accruals and taxes paid but not previously billed;
5. return at an annual rate of 10.25% on the net investment rate base. In general, the net investment rate base is equal to the total investment in the Pipe Line (including working capital allowance) less accumulated depreciation and amortization;

all as specified in the Transportation Contract.

Deficiency Agreement

Northern, Consolidated Natural, the Company and The Royal Trust Company ("Royal") have entered into an agreement (the "Deficiency Agreement") made as of May 1, 1973, which agreement provides substantially as follows:

- (a) upon receipt of a written notice from the Company or Royal (a "Request"), Northern will make available to the Company on behalf of Consolidated Natural lawful monies of Canada in an amount specified in such Request, which amount shall be sufficient to meet all amounts whatsoever then due and payable (and specified in such Request) to the Company by Consolidated Natural under the Transportation Contract; and
- (b) upon receipt of a Request, Northern and Consolidated jointly and severally will make available to Royal as trustee under the Trust Indenture and on behalf of the Company lawful monies of Canada in an amount specified in such Request, which amount shall be sufficient to enable the Trustee to meet all principal and interest and premium (if any) then due and payable on or in respect of the Debentures and all other costs, expenses and amounts whatsoever then due and payable (and specified in such Request) by the Company pursuant to the provisions of the Debentures and the Trust Indenture.

The Deficiency Agreement by its terms continues in effect until the later of (i) all principal, interest and premium, if any, due on the Debentures and all other monies due under the Trust Indenture have been paid in full, or (ii) October 31, 1992. Under the Deficiency Agreement, the requisite authorizations for determining the life of the Transportation Contract are deemed to be only the two National Energy Board Licences granted to Consolidated Natural and the Certificate granted to the Company, all referred to below. The two Licences by their present terms expire on October 31, 1992, and the Certificate is unlimited as to term.

Gas Supply

Northern purchases gas in northern Montana and transports it to a point on the border between Montana and Saskatchewan where it is sold to Consolidated Natural. Northern has advised Consolidated Natural and the Company that it currently has under contract an estimated 600 Bcf ("billion cubic feet") of natural gas in such area and is actively seeking to acquire additional gas reserves in such area.

In May, 1972, Northern received a Certificate of Public Convenience and Necessity from the Federal Power Commission of the United States authorizing the construction of facilities in Montana for the transportation and the export into Canada and the import from Canada of up to 150 MMcf per day of natural gas. Northern currently is seeking authority from the Federal Power Commission which will enable it to connect additional wells to its system in northern Montana.

Regulation

The National Energy Board of Canada (the "NEB") has regulatory authority over, among other things, companies incorporated by Special Act of the Parliament of Canada that construct and operate pipelines extending beyond the limits of a province and over all matters relating to traffic, tolls and tariffs and the import and export of natural gas.

The NEB has issued to Consolidated Natural licences, which expire October 31, 1992, to import into Canada and export from Canada quantities of gas not exceeding 150 MMcf in any one day, 45,000 MMcf in any consecutive twelve-month period, and 669,000 MMcf during the term of the licences.

The NEB has issued to the Company a Certificate of Public Convenience and Necessity to construct and operate the Pipe Line. It is a requirement of such Certificate that the Pipe Line be used to transport natural gas in accordance with the terms of the Transportation Contract. The Company has decided not to build certain minor metering facilities near Emerson, Manitoba authorized by such Certificate. By an arrangement with TransCanada, the metering facilities of TransCanada at Emerson are used. The Company has made application to the NEB for an amendment to such Certificate deleting the authorization to build such metering facilities. The management of the Company has no reason to believe that such amendment will not be granted.

PLAN OF DISTRIBUTION

Under an agreement dated May ••, 1973 between the Company and A. E. Ames & Co. Limited (the "Underwriter"), the Company has agreed to sell and the Underwriter has agreed to purchase on June ••, 1973, but in any event not later than June ••, 1973, the securities offered hereby at the price shown on the

face page hereof, plus accrued interest on the Debentures to the date of delivery, payable in cash to the Company against delivery of the securities. The obligations of the Underwriter under such agreement may be terminated at its discretion on the basis of its assessment of the state of the financial markets and may also be terminated on the occurrence of certain stated events. The Underwriter is, however, obliged to take up and pay for all the securities if any of the securities are purchased under such agreement.

DESCRIPTION OF DEBENTURES

The following is a brief summary of the material attributes and characteristics of the Debentures but does not purport to be complete and is qualified in its entirety by reference to the Trust Indenture referred to below.

General

The Debentures will be issued under a trust indenture (the "Trust Indenture") to be dated as of May 1, 1973 and to be made between the Company and The Royal Trust Company (the "Trustee"), and will be direct obligations of the Company but will not be secured by any mortgage, pledge, hypothec or other charge. The maximum principal amount of Debentures which may be issued under the Trust Indenture is \$6,500,000. However, additional unsecured indebtedness may be issued by the Company without limit as to principal amount.

The Debentures will be dated June 1, 1973, will bear interest at the rate of 11% per annum from June 1, 1973 and will mature on June 1, 1992. The principal of and half-yearly interest (June 1 and December 1) and redemption premium, if any, on the Debentures will be payable in lawful money of Canada at any branch in Canada of the bank to be designated in the Debentures, at the holder's option. The Debentures will be issued only as fully registered Debentures in denominations of \$1,000 and authorized multiples thereof.

The Trustee and the Debentureholders will be entitled to the benefit of the Deficiency Agreement referred to under that heading on page 4.

Sinking Fund

The Company will covenant in the Trust Indenture to make payments to the Trustee, as and by way of a mandatory sinking fund, sufficient to retire on June 1, in each of the years 1974 to 1991, inclusive, \$1,000,000 principal amount of Debentures. The aggregate of such payments will be \$5,000,000 being sufficient to retire 11% of the Debentures during such period.

In addition to the mandatory sinking fund payments the Company will have the right to make optional sinking fund payments to the Trustee, as and by way of a non-cumulative optional sinking fund, sufficient to retire on June 1 in each of the years 1974 to 1991, inclusive, \$1,000,000 principal amount of Debentures.

The Debentures will be redeemable out of sinking fund moneys at the principal amount thereof plus accrued and unpaid interest to the date fixed for redemption.

Debentures purchased or redeemed by the Company other than for sinking fund purposes will be available to the Company as a credit equal to the principal amount thereof which may be applied to the satisfaction in whole or in part of mandatory or optional sinking fund payments.

Redemption

The Debentures will not be redeemable prior to June 1, 1983, in whole or in part, other than for sinking fund purposes, unless the Company shall have filed with the Trustee a certified copy of a resolution of its directors stating that such Debentures are not being redeemed from or in anticipation of any proceeds of indebtedness for borrowed money directly or indirectly incurred or to be incurred by the Company or its Subsidiaries or affiliates having an effective interest cost (determined in accordance with generally accepted financial practice) of less than 10% per annum. Subject to the foregoing, the Debentures will be redeemable prior to maturity, for other than sinking fund purposes, in whole at any time or in part from time to time at the option of the Company, on not less than thirty days' notice, at prices equal to the following percentages of the principal amount, together with accrued and unpaid interest to the date fixed for redemption:

<u>If redeemed in the 12 months beginning June 1</u>	<u>Percentage</u>	<u>If redeemed in the 12 months beginning June 1</u>	<u>Percentage</u>	<u>If redeemed in the 12 months beginning June 1</u>	<u>Percentage</u>
1973		1979		1985	
1974		1980		1986	
1975		1981		1987	
1976		1982		1988	
1977		1983		1989	
1978		1984		1990	
				1991	

The Company will have the right to purchase Debentures in the market or by tender or by private contract at prices not exceeding the foregoing percentages of the principal amount thereof together with accrued and unpaid interest and costs of purchase.

Covenants

Among other things, the Company will covenant in the Trust Indenture substantially to the effect that so long as any of the Debentures are outstanding:

1. It will not, nor will it permit any Subsidiary to, create, incur, assume or suffer to exist any mortgage, hypothec, pledge, charge, lien or other encumbrance, whether fixed or floating, on its undertaking, property and assets or any part thereof, to secure any obligation or indebtedness other than the Debentures, unless at the same time all of the Debentures then outstanding are secured equally and ratably with, or at the option of the Company in priority to, such obligation or indebtedness; provided that this covenant will not apply to: (i) any security (except on fixed assets) given in the ordinary course of business to any bank to secure an obligation or indebtedness which does not constitute a Funded Obligation; or (ii) any security for any Purchase Money Obligation; or (iii) any lien not related to the borrowing of money incurred or arising by operation of law in the ordinary course of business, as specified in the Trust Indenture.
2. The Company will not, nor will it permit any Subsidiary to create, incur, assume or suffer to exist any Funded Obligation ranking prior to the Debentures then outstanding.
3. If the Company shall cause the payment of the principal of, premium, if any, and/or interest on any of its indebtedness to be subordinated to the prior payment of any other of its indebtedness it shall in like manner subordinate such payment to the prior payment in full of all Debentures then outstanding.
4. The Company will not make any Distribution or take any action creating an obligation to make a Distribution at any time:
 - (a) when it or any Subsidiary is in arrears in payment of any interest or principal on any Funded Obligation, or
 - (b) when it is in default under the Trust Indenture, or
 - (c) if, immediately after giving effect thereto, Consolidated Shareholders' Equity would be less than \$ • .
5. It will not permit any Subsidiary to issue or become liable on any Funded Obligation except to the Company or to another Subsidiary.
6. It will not, nor will it permit any Subsidiary to, transfer any shares or Funded Obligations of a Subsidiary other than to the Company or a Subsidiary unless the proceeds thereof are at least equal to the fair value of the assets transferred and unless, in the case of such a transfer of shares or Funded Obligations, all of the shares and Funded Obligations of such Subsidiary held by the Company and all other Subsidiaries are so transferred at the same time.
7. It will observe and perform all its obligations (except to the extent waived by the obligees) under the Deficiency Agreement; and it will not terminate or take any action to terminate, or suffer or permit anything allowing any other party thereunder to terminate, or alter, amend or modify or agree to the alteration,

amendment or modification of the terms of, or waive or take any action to waive any failure of any other party to perform its obligations under the Deficiency Agreement, unless the written consent of the Trustee is obtained.

Definitions

The Trust Indenture will contain definitions, among others, substantially to the following effect:

"Consolidated Shareholders' Equity" means, as at any time and as determined in accordance with generally accepted accounting principles consistently applied on a consolidated basis for the Company and its Subsidiaries, the algebraic sum of (i) paid-up capital, (ii) surplus whether paid in, capital or earned, or deficit, (iii) reserves to the extent that the same are not required to be treated as liabilities; and (iv) deferred income taxes.

"Distribution" means

- (i) a payment or distribution to the shareholders of the Company or any of them by way of dividend in cash or in specie, other than a dividend in shares of the Company's capital stock and fixed, cumulative, preferential cash dividends on any preference shares in the capital of the Company created after June 1, 1973; or
- (ii) a payment or distribution to the shareholders of the Company or any of them by way of a purchase, redemption, reduction or any other payment of or in respect of capital stock unless made out of the cash proceeds of an issue of shares by the Company made concurrently with or prior to such purchase, redemption, reduction or payment or made in satisfaction of the mandatory retirement provisions in respect of any preference shares in the capital of the Company created after June 1, 1973; or
- (iii) a payment of tax by the Company on undistributed surplus under section 196 of the Income Tax Act (Canada) as amended or any section or provision similar to or amending the said section 196 or substituted therefor.

"Funded Obligation" means any obligation or indebtedness created, assumed or guaranteed which, by its terms, is not payable on demand and matures on or is renewable at the option of the debtor to a date more than 24 months after the date of the original creation, assumption or guarantee thereof.

"Purchase Money Obligation" means any obligation or indebtedness, whether secured or unsecured, created, assumed or guaranteed by the Company or any Subsidiary, or arising by operation of law, to provide or to secure moneys borrowed at the time of acquisition to pay an amount not exceeding 75% of the purchase price of real or personal property hereafter acquired by the Company or such Subsidiary; provided such security is limited to the property so acquired and fixed improvements thereto; and includes any extension, renewal or refunding of such obligation or indebtedness, provided the principal amount of such obligation or indebtedness outstanding immediately prior to such extension, renewal or refunding is not increased and the security therefor is not improved.

"Subsidiary" means any corporation if and so long as the Company and/or one or more other Subsidiaries owns or own such number of Voting Shares (as defined in the Trust Indenture) of the capital stock of such corporation as entitles it or them to cast more than 50% of the votes at any general meeting of shareholders of such corporation.

Modification

The Trust Indenture provides that the rights of Debentureholders may be modified. Such modification may be effected and made binding on the holders of all Debentures if authorized by extraordinary resolution which is defined in the Trust Indenture to mean, in effect, a resolution passed by the favourable votes of the holders of not less than 66⅔% of the principal amount of Debentures represented and voted at a meeting of Debentureholders or an instrument in writing signed by the holders of at least 66⅔% of the outstanding principal amount of Debentures.

NET TANGIBLE ASSET COVERAGE

Based on the balance sheet as shown on page 13, the available net tangible assets of the Company as at December 31, 1972, after giving effect to this issue and the sale of Common Shares to Northern as described under the heading "Prior Sales" on page 9, were as follows:

Current assets	\$ 247,935
Plant, property and equipment (less accumulated depreciation and amortization)	8,975,683
	<u>\$9,223,618</u>
Deduct: Current liabilities and advances from and accounts due to parent company	9,158,688
	<u>\$ 64,930</u>
Plus: Estimated net proceeds from sale of this issue and Common Shares to Northern	•
Total net tangible assets	<u>\$ •</u>

The total net tangible assets of \$ • • • • are equivalent to \$ • • • • for each \$1,000 of the \$6,500,000 principal amount of total long-term debt to be outstanding as at December 31, 1972 after giving effect to this issue.

INTEREST COVERAGE

The maximum annual interest charges on long-term debt to be outstanding after giving effect to this issue will be \$ • • • • . The management of the Company is satisfied that the Transportation Contract by its terms will produce sufficient funds to meet the annual sinking fund and interest requirements on long-term debt to be outstanding after giving effect to this issue. Reference is made to "Deficiency Agreement" on page 4.

DESCRIPTION OF COMMON SHARES

The authorized capital of the Company consists of 3,000,000 shares of the par value of \$1 each (herein called the "Common Shares"). The Common Shares are entitled to dividends pro rata as and when declared by the board of directors; are entitled to one vote per share at any meeting of shareholders of the Company; are entitled upon liquidation to receive pro rata such assets of the Company as are distributable to shareholders; and have no pre-emptive, conversion or subscription rights. The outstanding Common Shares of the Company are, and the Common Shares hereby offered will be, fully paid and non-assessable.

Dividend Policy

The payment of dividends on the Common Shares will be determined by the board of directors of the Company from time to time. It is the present intention of the board of directors to commence the declaration and payment of cash dividends (on a quarterly basis) later this year, but no assurance can be given as to the amount or timing of future dividends, which will be dependent upon earnings, financial requirements and other relevant factors.

Prior Sales

Under a subscription agreement dated as of April 5, 1973, Northern has agreed to subscribe for, as principal for investment only and not with a view to resale or distribution, • • • • Common Shares for an aggregate price of \$ • • • • •, all of which monies will be received by the Company. This price is equivalent to \$ • • • • • per share and effectively is the same price per share as being paid by the public for the Common Shares forming part of the securities offered by this prospectus. Northern's purchase will be completed on or before the completion of the underwriting of the securities offered under this prospectus.

SHAREHOLDERS AND MANAGEMENT

Principal Shareholders

At April 5, 1973 the 100 outstanding Common Shares of the Company were owned beneficially and of record as to 84 Common Shares by Northern, as to 14 Common Shares by the individual directors of the Company, and as to 2 Common Shares by the estate of a former director. As at April 5, 1973 after giving effect to the sale of • • • • Common Shares to Northern as described above under the heading "Prior Sales", the number of Common Shares of the Company to be owned by each person or company owning of record or known by the Company to own beneficially, directly or indirectly, more than 10% of the Common Shares outstanding, will be as follows:

Name and Address	Type of Ownership	Number of shares owned	Percentage of shares owned	
			Before this offering	After this offering
Northern Natural Gas Company, 2223 Dodge Street, Omaha, Nebraska, U.S.A.	Record and Beneficial	•	• %	• %

At April 5, 1973, after completion of the sale of ● ● ● Common Shares to Northern as described above under the heading "Prior Sales", the directors and senior officers of the Company, as a group, beneficially owned, directly or indirectly, less than 1% of the outstanding Common Shares of the Company.

Promoter

Under applicable legislation, Northern is deemed to be a Promoter of the Company. Reference is made to "Interest of Management and Others in Material Transactions" on page 11.

Directors and Officers

The names and home addresses of the directors and officers of the Company, the offices held by them and their principal occupations are as follows:

<u>Name and Address</u>	<u>Office</u>	<u>Principal Occupation</u>
Ian Nicholson McKinnon, 709 Devonshire House, Rideau Towers, Calgary, Alberta.	Director, Chairman of the Board and President	Chairman of the Board and President of Consolidated Natural
John Richard Brady, 939 Willamette Drive S.E., Calgary, Alberta.	Director and Vice-President	Vice-President, Foreign Natural Gas Operations of Northern
Nicholas John Lashuk, 12212 Lake Louise Way S.E., Calgary, Alberta.	Vice-President	Vice-President of Consolidated Natural
George Douglas Nichols, 3314 Lassiter Court S.W., Calgary, Alberta.	Vice-President, General Counsel, Secretary and Treasurer	Vice-President, General Counsel, Secretary and Treasurer of Consolidated Natural
Albert Thomas Chrysostomus Rutgers, 804 Lansdowne Avenue, Calgary, Alberta.	Vice-President	Vice-President of Consolidated Natural
Ruth Linnea Marguerite Flood, #402-824 13th Avenue S.W., Calgary, Alberta.	Assistant Secretary	Assistant Secretary of Consolidated Natural
Jacob Leonard Dick, #404-4555 Rae Street, Regina, Saskatchewan.	Director	Corporate Director
Alfred John Ellis, 3851 Marguerite Street, Vancouver, British Columbia.	Director	Vice-Chairman of the Board of a Canadian chartered bank
George Lad Mazanec, 9905 Rockbrook Road, Omaha, Nebraska.	Director	Vice-President and Treasurer of Northern
Norman John McDonald, #804-239 Kensington Avenue, Westmount, Quebec.	Director	Vice-President and Managing Director, Public & Industrial Relations Ltd.
Gordon Lee Severa, 9133 Shirley Street, Omaha, Nebraska	Director	Group Vice-President of Northern

During the last five years, all of the directors and officers of the Company have been employed in various capacities by the companies or institutions, or affiliates thereof, indicated opposite their names except for Mr. I. N. McKinnon who prior to July, 1968 was Chairman of the National Energy Board, prior to January, 1971 was a consultant and who joined the Company in January, 1971, Mr. N. J. Lashuk who prior to April, 1969 was Manager, Gas Operations, the Energy Resources Conservation Board of Alberta, Mr. G. D. Nichols who prior to April, 1969 was Solicitor and Assistant Secretary of Alberta Natural Gas Company Ltd. and Alberta & Southern Gas Co. Ltd., and Mr. J. L. Dick who prior to March, 1970 was a Vice-President of a Canadian chartered bank.

Remuneration

The aggregate direct remuneration paid or payable by the Company to the directors and senior officers of the Company, as a group, amounted to \$51,067 for the fiscal year ended December 31, 1972 and to \$14,096 during the three-month period ended March 31, 1973.

The estimated annual aggregate cost to the Company of all pension benefits proposed to be paid in the future by the Company, to the senior officers of the Company, as a group, under the Company's pension plan will be \$1,050 on the assumption that such officers continue in their employment with the Company until normal retirement date at their current rates of remuneration.

The senior officers of the Company may, along with all other employees of the Company, participate in the Employees' Savings Plan (the "Plan") dated October 1, 1969, as amended, of Consolidated Natural and its affiliates. The Plan permits such employees to contribute voluntary payroll deductions of up to 5% of normal remuneration (which deductions are matched by the Company) to a trustee investment fund. The aggregate amount paid or payable by the Company under the Plan in respect of the senior officers of the Company, as a group, amounted to \$890 for the fiscal year ended December 31, 1972 and to \$240 during the 3-month period ended March 31, 1973.

Interest of Management and Others in Material Transactions

Consolidated Natural has gas transported for it by the Company under the Transportation Contract referred to under the heading "Transportation Contract" on page 4.

The senior officers of the Company are employees of Consolidated Natural and spend a portion of their time on the affairs of the Company. Consolidated Natural pays their salary and fringe benefits and a portion of these expenses is allocated to the Company based on the time spent by such senior officers on the affairs of the Company.

The Company, assisted by Northern and Consolidated Natural, planned and supervised the construction and implementation of the Pipe Line. Northern provided interim financing for this work by direct interest-free advances ranging up to approximately \$7,000,000. In reimbursement for services provided, the Company paid, in total, up to November 30, 1972, approximately \$412,000 to Northern and \$410,000 to Consolidated Natural. Substantially all of these payments form part of the capitalized cost of the Pipe Line. Since December 1, 1972 Northern and Consolidated Natural have also been reimbursed in an amount not in excess of \$150,000 for such services.

Northern has agreed to purchase • Common Shares of the Company pursuant to the subscription agreement referred to under "Prior Sales" on page 9 .

MATERIAL CONTRACTS

Except for contracts in the ordinary course of business, the only material contracts entered into by the Company within the two years preceding the date hereof are the following:

- (1) The Transportation Contract referred to under the heading "Transportation Contract" on page 4.
- (2) The subscription agreement referred to under the heading "Prior Sales" on page 9.
- (3) The Deficiency Agreement referred to under the heading "Deficiency Agreement" on page 4.
- (4) The underwriting agreement referred to under the heading "Plan of Distribution" on page 5.
- (5) The Trust Indenture referred to under the heading "Description of Debentures" on page 6.

Copies of the contracts referred to above, including the contract referred to in item (5) when executed, may be inspected at the head office of the Company during ordinary business hours during the period of primary distribution of the securities offered by this prospectus and for a period of 30 days thereafter.

LEGAL MATTERS

Legal matters in connection with the issue and sale of the securities offered by this prospectus will be passed upon on behalf of the Company by Messrs. Saucier, Jones, Black, Gain, Stratton & Laycraft, Calgary, and on behalf of the Underwriter by Messrs. Blake, Cassels & Graydon, Toronto.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are Messrs. McDonald, Currie & Co., Chartered Accountants, Standard Life Building, Calgary, Alberta.

The Transfer Agent and Registrar for the Common Shares of the Company is The Royal Trust Company at its principal offices in Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver.

Registers for the registration and transfer of the Debentures will be kept at the principal transfer offices of The Royal Trust Company in Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver.

AUDITORS' REPORT

To The Directors,

Consolidated Pipe Lines Company:

We have examined the balance sheet of Consolidated Pipe Lines Company as at December 31, 1972, and the statement of operations and retained earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1972, and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

Calgary, Alberta

May ●, 1973

Chartered Accountants

CONSOLIDATED PIPE LINES COMPANY

Balance Sheet as at December 31, 1972

Assets

Plant, Property and Equipment—at cost (note 1)

Gas pipeline in service	\$9,019,006
Accumulated depreciation and amortization	43,323
	<u>8,975,683</u>

CURRENT ASSETS

Cash	52,134
Accounts receivable from Affiliated companies	181,843
Transmission line pack gas—at cost	13,958
	<u>247,935</u>

ORGANIZATION EXPENSE	13,169
	<u>\$9,236,787</u>

Liabilities and Shareholders' Equity

CAPITAL STOCK (note 5)

Authorized—3,000,000 shares of the par value of \$1 each

Issued and fully paid—100 shares	\$ 100
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RETAINED EARNINGS	36,364
	<u>36,464</u>

ADVANCES FROM AND ACCOUNTS DUE TO PARENT COMPANY	939,668
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DEFERRED INCOME TAXES (note 3)	<u>41,635</u>
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CURRENT LIABILITIES

Bank loan (note 2)	7,500,000
Accounts payable and accrued liabilities	719,020
	<u>8,219,020</u>
	<u>\$9,236,787</u>

ON BEHALF OF THE BOARD

(Signed) J. R. BRADY, Director

(Signed) G. L. SEVERA, Director

CONSOLIDATED PIPE LINES COMPANY

Statement of Operations and Retained Earnings for the Year ended December 31, 1972

OPERATING REVENUE (note 1)

Transportation of gas	\$203,411
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OPERATING EXPENSES

Operation, maintenance and administration	37,070
Depreciation and amortization (note 1)	43,323
Interest	39,748
	120,141

NET OPERATING REVENUE BEFORE INCOME TAXES	83,270
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PROVISION FOR DEFERRED INCOME TAXES (note 3)	41,635
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NET INCOME FOR THE YEAR	41,635
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RETAINED EARNINGS (DEFICIT)—BEGINNING OF YEAR	(5,271)
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RETAINED EARNINGS—END OF YEAR	\$36,364
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CONSOLIDATED PIPE LINES COMPANY

Notes to Financial Statements for the Year ended December 31, 1972

1. * PLANT, PROPERTY AND EQUIPMENT

In 1972 the company constructed a natural gas pipeline for the transportation of natural gas owned by Consolidated Natural Gas Limited, an affiliated company.

All costs, including general and administrative expenses, incurred by the company from July 1, 1969 to November 30, 1972, date of completion of construction, have been capitalized to plant, property and equipment. Depreciation and amortization of such amounts, on a straight line basis, commenced on December 1, 1972, the date of commencement of operations, at the following rates:

Transmission plant	5%
Transport equipment	20%
Tools	10%

2. BANK LOAN

The bank loan consists of revolving demand notes with an interest rate of prime plus one-half of one per cent. Northern Natural Gas Company has provided the bank with an undertaking to arrange long-term financing by December 31, 1973 from which substantially all of these advances will be retired.

3. DEFERRED INCOME TAXES

The company follows the policy of charging current income with deferred income taxes attributable to claiming capital cost allowance and other deductions in excess of the related amounts charged against income in the accounts.

4. REMUNERATION OF DIRECTORS AND OFFICERS

Of the seven directors of the company, four are officers of the company or its parent company, Northern Natural Gas Company and received no directors' fees. The three outside directors received directors' fees in an aggregate amount of \$16,050. The seven officers of the company, one of whom is also a director, received an aggregate remuneration of \$35,017 during the year.

5. SUBSEQUENT EVENTS

Under a subscription agreement dated as of April 5, 1973, the company's parent, Northern Natural Gas Company, has subscribed for shares of the par value of \$1 each of the company for an aggregate price of \$.

The company has entered into an underwriting agreement dated May •, 1973 for the sale of \$6,500,000 principal amount of •% sinking fund debentures due June 1, 1992 and shares of the par value of \$1 each for a total consideration of \$ before deducting expenses in connection with the issue estimated at \$40,000.

Purchaser's Statutory Rights of Withdrawal and Rescission

Sections 64 and 65 of The Securities Act (Alberta), sections 70 and 71 of The Securities Act, 1967 (Saskatchewan), sections 63 and 64 of The Securities Act (Manitoba) and sections 64 and 65 of The Securities Act (Ontario) provide, in effect, that where a security is offered to the public in the course of primary distribution (described as "distribution to the public" under The Securities Act (Alberta) and The Securities Act (Ontario)):

- (a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor or his agent not later than midnight on the second business day after the prospectus or amended prospectus offering such security is received or is deemed to be received by him or his agent, and
- (b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action can be commenced to enforce this right of rescission after the expiration of 90 days from the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by the purchaser or the purchaser's agent, whichever is later.

Sections 61 and 62 of the Securities Act, 1967 (British Columbia) provide, in effect, that where a security is offered to the public in the course of primary distribution:

- (a) a purchaser, while still the owner thereof, has the right to rescind a contract for the purchase of a security if a copy of the last prospectus together with financial statements and reports and summaries of reports relating to the securities, as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery of the written confirmation of the sale of the securities to either of them. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell the security within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice, and
- (b) a purchaser, while the owner thereof, has the right to rescind a contract for the purchase of such security if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from (1) the date of such contract, or (2) the date on which such prospectus or amended prospectus is received or is deemed to be received by the purchaser or his agent, whichever date is the later.

Reference is made to the aforesaid Acts for the complete texts of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.

Certificates

Dated: April 5, 1973.

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia) and the regulations thereunder, by Part 7 of The Securities Act (Alberta) and the regulations thereunder, by Part VIII of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder, by Part VII of The Securities Act (Manitoba) and the regulations thereunder, by Part VII of The Securities Act (Ontario) and the regulations thereunder, under the Securities Act (Quebec) and by Section 13 of the Securities Act (New Brunswick).

Company

(Signed) I. N. McKINNON

Chief Executive Officer

(Signed) G. DOUGLAS NICHOLS

Chief Financial Officer

On behalf of the Board of Directors

(Signed) A. JOHN ELLIS

Director

(Signed) J. L. DICK

Director

Promoter

Northern Natural Gas Company

Per: (Signed) G. L. MAZANEC

Vice-President

Underwriter

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia) and the regulations thereunder, by Part 7 of The Securities Act (Alberta) and the regulations thereunder, by Part VIII of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder, by Part VII of The Securities Act (Manitoba) and the regulations thereunder, by Part VII of The Securities Act (Ontario) and the regulations thereunder, under the Securities Act (Quebec) and by Section 13 of the Securities Act (New Brunswick).

A. E. AMES & Co. LIMITED

By: (Signed) R. E. BELLAMY

The following are the names of all persons having an interest, directly or indirectly, to the extent of not less than 5% in the capital of A. E. Ames & Co. Limited: J. O. Hughes, E. C. Lipsit, P. D. G. Harris, P. M. Fisher, R. L. Brown, R. A. Gunn and P. L. Dixon.